

## 292 - COUNTY INDEMNITY HEALTH INTERNAL SERVICE FUND

### Operational Summary

#### Description:

The County Indemnity Health Internal Service Fund (ISF) provides for self insurance of health benefits and administrative fees associated with claims from employees, retirees, and their dependents enrolled in the PPO Premier Preferred Choice, Preferred Choice, Premier Wellwise, Wellwise, Premier Sharewell, Sharewell and the Indemnity A health plans.

#### Strategic Goals:

- Fund 292 is one of the five Internal Service Funds under Employee Benefits. Employee Benefits operates under the Strategic Priorities and Business Plan for Human Resources and administers employee benefit programs as supported by the Board of Supervisors.

#### FY 2003-2004 Key Project Accomplishments:

- The professional services contract for Medical and Dental Claims Administration is expiring 12/31/04. A Request for Proposal (RFP) process is currently underway to solicit proposals for the new contract period starting 1/1/05.

**CO INDEMNITY HEALTH PLANS ISF** - The County Indemnity Health Internal Service Fund (ISF) provides for self insurance of health benefits and administrative fees associated with claims from employees, retirees, and their dependents enrolled in the PPO Premier Preferred Choice, Preferred Choice, Premier Wellwise, Wellwise, Premier Sharewell, Sharewell and the Indemnity A health plans.

#### Ten Year Staffing Trend Highlights:

- This Internal Service Fund has no positions.

#### At a Glance:

Total FY 2003-2004 Projected Expend + Encumb:	58,951,398
Total Recommended FY 2004-2005 Budget:	76,252,143
Percent of County General Fund:	N/A
Total Employees:	0.00

### Budget Summary

#### Plan for Support of the County's Strategic Priorities:

The Employee Benefits Division supports the Board of Supervisors adopted strategic priorities as they relate to the implementation and administration of employee benefits.

#### Changes Included in the Recommended Base Budget:

For FY 04-05 we budgeted an amount for medical claims run out in the event that a new claims administrator is selected. In addition, start up and new member identification card costs are budgeted for the same reason. These costs are one time costs and are incurred when changing from one vendor to another. In addition, the claims administration and PPO network costs are higher based on our best estimate of the

new contract fees using market estimates and review of the prior RFP for the costs associated with the 2nd and 3rd choice vendors. Other potential vendors charge more for PPO network access and administration fees, but have higher PPO claim discounts within their networks. This

potential increase in cost if such a vendor is chosen would be offset by an anticipated reduction in medical claims due to the PPO claim discounts. Once a final vendor is selected during the RFP process, any necessary modification to the budget will need to be made at that time.

### Proposed Budget and History:

Sources and Uses	FY 2002-2003 Actual	FY 2003-2004 Budget As of 3/31/04	FY 2003-2004 Projected <sup>(1)</sup> At 6/30/04	FY 2004-2005 Recommended	Change from FY 2003-2004 Projected	
					Amount	Percent
Total Revenues	56,156,216	68,503,988	65,600,169	76,252,143	10,651,974	16.24
Total Requirements	54,861,521	69,675,437	58,951,398	76,252,143	17,300,745	29.35
Balance	1,294,695	(1,171,449)	6,648,771	0	(6,648,771)	-100.00

(1) Requirements include prior year encumbrances and expenditures. Therefore, the above totals may not match FY 2003-2004 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: County Indemnity Health Internal Service Fund in the Appendix on page 609.

### Highlights of Key Trends:

- Medical and Dental inflation (trend) continues to rise causing an increase in medical and prescription claims within the PPO health plans. In addition, the professional services contract for Medical and Dental Claims Administration is expiring 12/31/04 and the Request for Proposal (RFP) process is currently underway to solicit proposals for the new contract period.
- The County cost of the Judges Medical Reimbursement Program continues to increase significantly from year to year as Judges insurance premiums and medical and

prescription costs rise, yet there is no pass through of any of the cost increases to the Judges or the Court. The County cost of this program has increased 149% since FY 01/02 from \$488,750 to \$1,215,771 for FY 04/05. This program, while part of ISF 292, is funded by an Operating Transfer in from General Fund budget 100-081, Trial Courts. The County may want to consider whether this type of escalating expense is appropriate for the agreement and may want to consider transferring all or a portion of this cost directly to the Courts in lieu of a more appropriate fee.

## 292 - COUNTY INDEMNITY HEALTH ISF

### Operation of Internal Service Fund 292 Operational Statement for the Fiscal Year 2004 - 2005

Operating Detail (1)		2002-2003 Actual (2)	2003-2004 Estimate (3)	2004 - 2005 Proposed Budget (4)	2004 - 2005 Final Budget (5)
<b>Operating Income</b>					
7670	Miscellaneous Revenue	0	186,355	0	0
7710	Insurance Premiums	54,995,828	62,859,007	68,142,499	68,142,499
<b>Total Operating Income</b>		54,995,828	63,045,362	68,142,499	68,142,499
<b>Operating Expense</b>					
Services & Supplies					
1800	Office Expense	0	0	31,500	31,500
1900	Professional And Specialized Services	2,061,924	2,243,427	4,539,769	4,539,769
1911	CWCAP Charges	97,598	117,204	120,886	120,886
2400	Special Departmental Expense	1,668,257	1,992,131	2,111,175	2,111,175
2700	Transportation And Travel - Meetings/Conferences	0	0	6,850	6,850
<b>Total Services &amp; Supplies</b>		3,827,779	4,352,762	6,810,180	6,810,180
Other Charges					
3500	Judgments And Damages	(8,331,512)	(104,777)	0	0
3510	Other Charges - Operating	59,353,408	54,682,656	69,421,813	69,421,813
<b>Total Other Charges</b>		51,021,898	54,577,879	69,421,813	69,421,813
<b>Total Operating Expenses</b>		54,849,677	58,930,641	76,231,993	76,231,993
<b>Total Operating Income (Loss)</b>		146,151	4,114,721	(8,089,494)	(8,089,494)
<b>Non-Operating Revenue</b>					
6610	Interest	168,551	173,317	245,102	245,102
<b>Total Non-Operating Revenue</b>		168,551	173,317	245,102	245,102
<b>Non-Operating Expense</b>					
1912	Investment Administrative Fees	11,844	20,150	20,150	20,150
5400	Loss Or Gain On Disposition Of Assets	0	607	0	0
<b>Total Non-Operating Expenses</b>		11,844	20,757	20,150	20,150
<b>Net Non-Operating Income (Loss)</b>		156,707	152,560	224,952	224,952
<b>Income (Loss) Before Contributions &amp; Transfers *</b>		302,858	4,267,281	(7,864,542)	(7,864,542)
<b>Statement Of Changes In Net Assets - Unrestricted</b>					
Income (Loss) Before Contributions & Transfers		302,858	4,267,281	(7,864,542)	(7,864,542)
7810	Intrafund Transfers In - From Fund 100	991,837	1,086,531	1,215,771	1,215,771
Changes To Reserves - Encumbrance - (Inc.)/Dec.		0	264	0	0

## Operation of Internal Service Fund 292

### Operational Statement for the Fiscal Year 2004 - 2005 (Continued)

Operating Detail (1)	2002-2003 Actual (2)	2003-2004 Estimate (3)	2004 - 2005 Proposed Budget (4)	2004 - 2005 Final Budget (5)
Increase (Decrease) In Net Assets - Unrestricted	1,294,695	5,354,076	(6,648,771)	(6,648,771)
Net Assets - Unrestricted - Beginning Of Year	0	1,294,695	6,648,771	6,648,771
Net Assets - Unrestricted - End Of Year	1,294,695	6,648,771	0	0

\* Note - Loss Before Contributions & Transfers  
Is Offset By Net Assets - Unrestricted Carried  
Forward From Previous Fiscal Year.